

Name: \_\_\_\_\_

County: \_\_\_\_\_

Date: \_\_\_\_\_

BASIC APPRAISAL  
SELF-STUDY TRAINING SESSION  
REVIEW QUESTIONS

**Chapter 1**

1. Appraisal is the process of estimating the value of specific property at a stated time and place.  
☐ True  
☐ False
2. Of the following, which is a prerequisite for goods to have value?  
☐ Utility and scarcity  
☐ Capacity for private ownership  
☐ Demand or effective purchasing power  
☐ All of the above
3. Market value is the price (the amount of money) that a property will bring when it is sold in a market.  
☐ True  
☐ False
4. Supply and demand are the market effects of \_\_\_\_\_ and \_\_\_\_\_.

5. From an equilibrium position, if market demand increases while market supply remains constant, prices tend to:
- ☐ Increase
- ☐ Decrease
6. In a market subject to the interaction of supply and demand, value is determined by the actions of buyers and sellers bidding, and seeking bids, in competition with each other. The market value concept presupposes that:
1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
7. Use value is the value a \_\_\_\_\_ has for \_\_\_\_\_.
8. Expenditures for labor and materials are known as:
- ☐ Indirect costs
- ☐ Development costs
- ☐ Direct costs
- ☐ Historical costs
9. Which of the following is true regarding the concept of price?
- ☐ Price is the expenditure required to produce property.
- ☐ Price is a prospective concept.
- ☐ Price is the amount actually paid for a property.
- ☐ Price does not include direct and indirect costs.
10. Which of the following are **not** included in development cost?
- ☐ Direct costs
- ☐ Indirect costs
- ☐ Cost of land and entrepreneurial profit
- ☐ None of the above

11. Which of the following definitions for value is ***not*** true?
- ☐ Value is the present worth of future benefits.
  - ☐ Value is the monetary worth of a property, good, or service to buyers and sellers at a given time.
  - ☐ Value is the price that a property will bring when it is sold in a market.
  - ☐ None of the above.
12. List four of the additional types of value which the property appraiser may encounter in an evaluation of a property:
- 1. \_\_\_\_\_
  - 2. \_\_\_\_\_
  - 3. \_\_\_\_\_
  - 4. \_\_\_\_\_

## **Chapter 2**

13. The words "full value," full cash value," "cash value," "actual value," and "fair market value" mean the price at which a property, if exposed for sale in the open market with a reasonable time for the seller to find a purchaser, would transfer for cash or its equivalent under prevailing market conditions between parties who have knowledge of the uses to which the property may be put, both seeking to maximize their gains and neither being in a position to take advantage of the exigencies of the other.
- ☐ True
  - ☐ False
14. The proper unit to be valued is the unit that people in the market typically buy and sell.
- ☐ True
  - ☐ False

15. In some instances, the identification of the appraisal unit may not be as easy discernible as with single-family homes. In these instances, the appraiser must use judgment to determine the proper unit. Decisions should be based on:

1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_  
4. \_\_\_\_\_

16. The principle of unit valuation is not based on the concept that the appraisal unit should be the unit most likely to be bought and sold in the market.

☐ True

☐ False

17. Briefly explain when appraisers usually refer to the unit concept and when they refer to the principle of unit valuation.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

18. The development process can be divided into \_\_\_\_\_ or \_\_\_\_\_. At each stage, \_\_\_\_\_ is added to the goods. Economists call this \_\_\_\_\_. The producers add utility of one or more of the following types: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

19. The stage of production concept applies equally to real and personal property until the final form of the product is achieved.

☐ True

☐ False

20. What are the differences between the terms *trade level* and *stage of production* as they apply to the appraisal process?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

21. What other requirement must be considered when establishing a property's stage of production?
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
22. A limited-market property is a property that has relatively \_\_\_\_\_ buyers at a particular time. It may be a limited-market property because of \_\_\_\_\_ features or \_\_\_\_\_ conditions.
23. Give two examples of a limited-market property:
1. \_\_\_\_\_
2. \_\_\_\_\_
24. Limited-market properties should be appraised at market value based on their current use or the most likely alternative use.
- ☐ True
- ☐ False
25. Limited-market properties do not require consideration of a wider geographic market.
- ☐ True
- ☐ False
26. As part of the highest and best use determination, the appraiser should study economic data relating to the business or industry of the owner and the utility of the property for its intended use. After studying these elements, if the appraiser determines that the current use of the property is not likely to continue, the property must be appraised based on which of the following use value?
- ☐ Current use
- ☐ Alternative use

27. Citing *De Luz Homes, Inc. v. County of San Diego*, what did the court note about the absence of an "actual market"?
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
28. California law requires the property tax appraiser to appraise all property at \_\_\_\_\_
- \_\_\_\_\_
29. Property must be appraised for assessment purposes at its \_\_\_\_\_ as recognized in the market for such properties.
30. When determining the highest and best use of the property and in estimating its market value to potential purchasers, which of the following should the appraiser use?
- ☐ Method of valuation designed solely to capture the specific utility of a property to a particular owner.
- ☐ Consideration of location and other current characteristics of the property that would be recognized in the general marketplace.
31. Restricted value means a value standard other than full cash value prescribed by the Constitution or by statute authorized by the Constitution.
- ☐ True
- ☐ False
32. A property subject to open-space restrictions is assessed at the lowest of:
1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
33. In 1973, which of the following were added to the list of lands subject to open-space restriction agreements?
- ☐ Farmland
- ☐ Easements
- ☐ Wildlife habitats
- ☐ Timber

34. Beginning with legislation adopted in 1974, special appraisal consideration must also be given to qualifying open-space easements granted to a city, county, specified district or nonprofit organization, or regional park. List two properties that were authorized for special appraisal consideration in 1994 and 1996, respectively.

1. \_\_\_\_\_  
2. \_\_\_\_\_

35. Owners of certain historical or architecturally significant properties may benefit from limitations placed on the assessor's valuation. In order to qualify, a property needs to meet some requirements. What are the requirements?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

36. A golf course qualifies for special appraisal treatment if the real property consists of a parcel of \_\_\_\_\_ or more and has been used exclusively for \_\_\_\_\_ purposes for at least \_\_\_\_\_ months before the lien date.

37. Under section 9 of article XIII of the California Constitution and section 401.4, what are the restrictions on the valuation of certain owner-occupied single-family residences?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

38. Article XIII, section 11 of the California Constitution provides that, under certain circumstances, land and improvements that are owned by local governments but are located outside their boundaries are taxable.

☐ True

☐ False

39. Lands in a Timberland Production Zone are subject to which of the following?

☐ 5-year contractual restriction

☐ 10-year contractual restriction

☐ 15-year contractual restriction

☐ 20-year contractual restriction

### **Chapter 3**

40. Property includes all matter and things, real, personal, and mixed capable of private ownership.
- ☐ True
- ☐ False
41. Which of the following properties are included in real property?
- ☐ Office equipment
- ☐ Land and improvements
- ☐ Machinery
- ☐ All of the above
42. List the fundamental rights associated with property ownership:
1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
43. What are the two primary categories of property?
1. \_\_\_\_\_
2. \_\_\_\_\_
44. An important distinction in a free enterprise economy is made between \_\_\_\_\_ and \_\_\_\_\_ property.
45. Personal property is defined as all property that is not real property.
- ☐ True
- ☐ False



46. Which of the following is not true about taxable property?
- ☐ All properties are taxable unless they are exempt by the Constitution.
  - ☐ Only personal properties are taxable property.
  - ☐ All properties are taxable and shall be assessed at the same percentage of fair market value.
  - ☐ Both real property and personal property are taxable property.
47. Which of the following are included in *real estate* or *real property*?
- ☐ The possession of, claim to, ownership of, or right to the possession of land.
  - ☐ All mines, minerals, and quarries in the land, and all rights and privileges appertaining thereto.
  - ☐ Improvements
  - ☐ All of the above
48. For property tax purposes, *land* also includes such things as \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
49. Special taxes may apply to land but not to improvements.
- ☐ True
  - ☐ False
50. What do improvements include?
1. \_\_\_\_\_
2. \_\_\_\_\_
51. For property tax purposes, a fixture is classified as:
- ☐ Real property
  - ☐ Personal property

52. A fixture is an item of tangible property, classified as \_\_\_\_\_ for property tax purposes because it is \_\_\_\_\_ or \_\_\_\_\_ to realty with the \_\_\_\_\_ that it remains \_\_\_\_\_.
53. The \_\_\_\_\_, the adaptability of the item to the \_\_\_\_\_ for which the realty is used, and the \_\_\_\_\_ with which the annexation is made are important elements in deciding whether an item has become a \_\_\_\_\_ or remains \_\_\_\_\_.
54. Briefly describe the three tests applied in determination for a fixture to be classified as real or personal property.

Test 1- Physical annexation test

---

---

---

---

Test 2- Constructive annexation test

---

---

---

---

Test 3- Intent of the owner in annexing the fixture

---

---

---

---

55. Improvements placed on governmentally owned tax-exempt land for a private individual's use and purposes are taxable.
- ☐ True
- ☐ False
56. For property tax purposes, a taxable possessory interest is a right to possess or use publicly-owned real property.
- ☐ True
- ☐ False

57. Match the following by definition.

- |   |                |
|---|----------------|
| _____ Enjoyment of a beneficial use of land or improvements, together with the ability to exclude from occupancy by means of legal process others who may interfere with that enjoyment.  | 1. Durable     |
| _____ Determinable period with a reasonable certainty that the use, possession, or claim with respect to the property or improvements will continue for that period.  | 2. Independent |
| _____ Ability to exercise authority and exert control over the management or operation of the property or improvements, separate and apart from the policies, statutes, ordinances, rules, and regulations of the public owner of the property or improvements. | 3. Exclusive   |

58. A possessory interest located within an area in which the United States has exclusive jurisdiction (federal enclaves) is excluded from the meaning of "taxable possessory interest" and is immune from taxation.

☐ True

☐ False

59. Mineral rights held as possessory interests are not taxable real property.

☐ True

☐ False

60. Standing timber is now generally exempt from an ad valorem property tax.

☐ True

☐ False

61. In most cases, water rights are separately assessed.

☐ True

☐ False

62. What types of water rights are recognized under California law?
- ☐ Riparian, overlying
  - ☐ Appropriative
  - ☐ Pueblo rights
  - ☐ All of the above
63. A transferable development right is a development right that is \_\_\_\_\_ from a land owner's bundle of rights and \_\_\_\_\_, generally \_\_\_\_\_, to another landowner in the \_\_\_\_\_.
64. The Legislature has the power to exempt personal property from taxation or to allow differential taxation of personal property.
- ☐ True
  - ☐ False
65. All property that may be seen, weighed, measured, felt or touched, or which is in any other manner perceptible to the senses—except land and improvements—is defines as:
- ☐ Tangible personal property
  - ☐ Intangible personal property
66. All tangible personal property is taxable.
- ☐ True
  - ☐ False
67. Give three examples of intangible assets and rights that are exempt from taxation.
1. \_\_\_\_\_
  2. \_\_\_\_\_
  3. \_\_\_\_\_
68. Generally, intangible assets and rights are \_\_\_\_\_ ,and the value of intangible assets and rights shall not enhance or be reflected in the value of \_\_\_\_\_.

69. Taxable property may be \_\_\_\_\_ and \_\_\_\_\_ by assuming the presence of intangible assets or rights necessary to put the taxable property to \_\_\_\_\_ or \_\_\_\_\_ use.
70. Section 201.5 provides that a possessory interest in property acquired by or for the California Pollution Control Financing Authority shall be subject to taxation. Of the following, which properties could be subject to taxation?
- ☐ Real property only
- ☐ Real and personal property
- ☐ Personal property only
- ☐ Neither real nor personal property
71. Sections 3 and 5 of article XIII of the California Constitution list the exemptions from real property taxation. How many property exemptions are listed in the Revenue and Taxation Code?
- ☐ More than 50 property tax exemptions, 30 of which require claims to be filed and the others require notification to the assessor.
- ☐ More than 100 property tax exemptions, 50 of which require claims to be filed and the others require notification to the assessor.
- ☐ More than 100 property tax exemptions, 30 of which require claims to be filed and the others require notification to the assessor.
- ☐ More than 50 property tax exemptions, 20 of which require claims to be filed and the others require notification to the assessor.
72. The United States Constitution restricts the power of a state to tax federal property. These restrictions are treated as immunities from taxation. As a general rule, when property is owned by an \_\_\_\_\_ that is under the \_\_\_\_\_ of the \_\_\_\_\_, the property is \_\_\_\_\_ from property taxation for the duration of time it is under the government's jurisdiction.
73. Ownership may take many forms and may be divided and shared under a number of possible arrangements. The \_\_\_\_\_ constituting the full bundle of rights can be \_\_\_\_\_ and \_\_\_\_\_ or in \_\_\_\_\_.

74. Give examples for each of the three spatial levels of the real estate.

The surface area\_\_\_\_\_

\_\_\_\_\_

The above-surface space\_\_\_\_\_

\_\_\_\_\_

The sub-surface space\_\_\_\_\_

\_\_\_\_\_

75. Ownership or beneficial interests in land are referred to as estates in land. What are the three major categories for these estates?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

76. A freehold estate is the highest order of all estates in that it represents a full and present ownership interest in real property. What must freehold estates possess?

1. \_\_\_\_\_

2. \_\_\_\_\_

77. The fee simple estates are the most complete form of ownership allowed by law. They are subject only to limitations imposed by government. List the four powers of government to which the fee simple estates are subject.

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

78. Match the following by definitions.

\_\_\_\_\_ It applies only when property is unclaimed after a reasonable period of time.

1. Police power

\_\_\_\_\_ It serves the interests of public health, safety, morals and/or general public welfare in the development and utilization of real estate.

2. Eminent domain

\_\_\_\_\_ It is the right to acquire private property for such public purposes as public buildings, parks, streets, and other public uses.

3. Escheat

79. In a life estate, generally, the grantor conveys a qualified fee simple interest to the grantee for the grantee's lifetime. When the grantee's life expires, the fee simple interest passes to which of the following persons?
- ☐ Heir
  - ☐ Remainderman
  - ☐ Income beneficiary
  - ☐ Any other person
80. The grantor of a leasehold estate is known as:
- ☐ Lessee
  - ☐ Lessor
81. Other property interests involve lesser interests than either freehold estates or possessory estates. Match the following by definition:
- |   |              |
|---|--------------|
| _____ It is the right held by a creditor to secure payment of a debt from the debtor's property.  | 1. Licenses  |
| _____ It is the right of use over the real property of another.   | 2. Profits   |
| _____ It is the revocable right to use the land of another for a specific purpose.  | 3. Easements |
| _____ It is an interest in real property that permits the holder to remove something from the land, such as soil, minerals, or oil and gas. | 4. CC&Rs     |
| _____ Are contractual promises made by property owners to restrict the use of property in some way.   | 5. Liens     |
82. The property tax appraiser, with few exceptions, must estimate the fair market value of the unrestricted fee simple estate, unencumbered by liens or leases, based on the highest and best use of the property.
- ☐ True
  - ☐ False

83. What are the four primary ways that an ownership in real estate can be held?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

84. In which of the following forms of ownership is there a right of survivorship?

- ☐ Single ownership
- ☐ Tenants in common
- ☐ Joint tenancy
- ☐ Community property

85. The creation or transfer of a joint tenancy or tenancy in common may involve a change in ownership for property tax purposes, requiring the reassessment of the fractional interest transferred.

- ☐ True
- ☐ False

86. Which of the following are examples of forms of concurrent ownership?

- ☐ General partnership
- ☐ Condominium
- ☐ Corporation
- ☐ All of the above

87. What are the six types of legal entities commonly used to hold title to real estate?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_



## **Chapter 4**

88. A market is defined as \_\_\_\_\_  
\_\_\_\_\_ and in *The Appraisal of Real Estate*, the real estate market is defined as  
\_\_\_\_\_  
\_\_\_\_\_
89. What are the ways that the real estate markets may be classified? Give examples for each category.
1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_
90. The basic function of any market is to \_\_\_\_\_
91. The real estate market performs functions similar to those performed in other competitive markets. What are these functions?
1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_  
4. \_\_\_\_\_
92. How is a price established in a competitive market?
- \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

93. List the characteristics that distinguish the real estate from other economic goods and briefly describe them:

1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

94. The real estate market departs significantly from the ideal of a purely competitive market, largely due to the characteristics of real estate. Which of the following is not true regarding the real estate market?

- ☐ There is a long lead time for planning and building new property improvements.
- ☐ The large financing requirement for most real estate means that both real estate demand and supply are significantly affected by credit conditions.
- ☐ The product is not differentiated.
- ☐ Buyers and sellers often have unequal information.

95. Real estate markets are subject to broad forces that affect demand and supply. The dynamic interaction of these forces creates trends in the real estate market. Match the following forces by their examples.

_____ Zoning and building codes, development regulations, environmental regulation, police, fire and health protection etc.	1. Physical Forces
_____ Topography, soil, climate, infrastructure, scenic beauty or view, size and shape of a parcel, etc.	2. Demographic Forces
_____ Population trends, household characteristics, changes in lifestyles and living standards, neighborhood characteristics, etc.	3. Economic Forces
_____ Trends in employment and income, availability of financing, level of interest rates, rental and price patterns of existing properties.	4. Governmental Forces

96. The determinants of demand and supply are those variables or factors within a defined real estate market or submarket that cause demand and supply to shift and lead to price changes.
- ☐ True
- ☐ False
97. Which of the following is not a determinant of demand?
- ☐ Availability of financing
- ☐ Population
- ☐ Advances in technological know-how
- ☐ Income
98. Which of the following is a determinant of supply?
- ☐ Expectations regarding future demand
- ☐ Advances in technological know-how
- ☐ Costs of production inputs
- ☐ All of the above
99. Of the following, which is a significant determinant of supply as well as of demand?
- ☐ Expectations regarding future demand
- ☐ Income
- ☐ Cost and availability of financing
- ☐ All of the above
100. Real estate is productive and provides utility in two major ways. Which are they?
1. \_\_\_\_\_
- \_\_\_\_\_
2. \_\_\_\_\_
- \_\_\_\_\_

101. The physical aspect of real estate productivity concerns:
1. \_\_\_\_\_
  2. \_\_\_\_\_
102. Of the following, which is not considered a surface characteristic?
- ☐ Shape
  - ☐ Fertility
  - ☐ Topography
  - ☐ Drainage capacity
103. Steep terrain is more suitable for which of the following developments?
- ☐ Commercial development
  - ☐ Residential development
  - ☐ Agricultural development
  - ☐ None of the above
104. To a great extent, land is a manufactured product. When \_\_\_\_\_ is combined with the other \_\_\_\_\_ of production, \_\_\_\_\_ a product of greater utility and value than \_\_\_\_\_ land, is created.
105. What are the two categories that the man-made characteristics of real estate fall into?
1. \_\_\_\_\_
  2. \_\_\_\_\_
106. Which of the following are often termed "infrastructure"?
- ☐ Off-site improvements
  - ☐ On-site improvements

107. Off-site improvements can be constructed privately or by government, but in either case the costs must be paid by the property owner/buyer in some manner, either in sales prices, bond obligations, property taxes, or some combination of these.
- ☐ True
- ☐ False
108. Of the following, which is the most important on-site improvement?
- ☐ Landscaping
- ☐ Driveways
- ☐ Grading and drainage work
- ☐ Primary structure
109. List the three categories that the value-generating characteristics of a building are grouped into and briefly describe each of them.
1. \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
2. \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
3. \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
110. The essence of location derives from one of the elemental physical facts of life, the reality of space.
- ☐ True
- ☐ False
111. Some factors, which economists refer to as *costs of friction* or *transfer costs*, greatly influence the land use of any given parcel. Give examples of such costs:
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
112. Recurring interactions between different land uses at different geographic points are referred to as \_\_\_\_\_

113. Each land use has its own linkage requirements.
- ☐ True
- ☐ False
114. The value of property results from the use to which it is put and varies with the profitableness of that use, present and prospective, actual and anticipated.
- ☐ True
- ☐ False
115. It is possible for lands that are contiguous to have substantially different uses and consequently different values.
- ☐ True
- ☐ False
116. In *The Appraisal of Real Estate*, highest and best use is defined as \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
117. A property should not be appraised on the basis of a use that is illegal.
- ☐ True
- ☐ False
118. Which are the four criteria that the use must meet in order to qualify as a property's highest and best use?
1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

119. Briefly describe how a property subject to an enforceable governmental restriction must be valued.

---

---

---

---

---

120. Deed restrictions are rights reserved by private persons as opposed to limitations imposed by government. In most cases, the property tax appraiser should recognize deed restrictions when analyzing highest and best use.

☐ True

☐ False

121. In general, private parties cannot reduce the taxable value of their property by imposing their own restrictions upon it. There are some exceptions to this rule. Briefly describe one of the exceptions.

---

---

---

---

122. The highest and best use must be physically possible, probable, and the most productive use.

☐ True

☐ False

123. Highest and best use should be based either on existing land ownership or on an existing use that combines parcels under separate ownership.

☐ True

☐ False

124. If parcels are separately owned and separately used, they should not be combined for appraisal purposes. Give an example when it is possible to combine them.

---

---

---

---

125. \_\_\_\_\_ is the process of combining two or more sites under a single ownership in order to develop one site that has greater utility and value than the two parcels considered as separate entities. The incremental addition to value is known as \_\_\_\_\_.
126. What are the two distinct concepts in highest and best use analysis?
1. \_\_\_\_\_
2. \_\_\_\_\_
127. What are the questions that should be answered in the analysis of highest and best use of a vacant property?
1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
128. What are the questions that should be answered in the analysis of highest and best use of a property as improved?
1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
129. Highest and best use is not necessarily just one specific use. It is possible that several uses will prove equally profitable.
- ☐ True
- ☐ False
130. The use to which a parcel is put before its transition to a future highest and best use is known as an \_\_\_\_\_ or \_\_\_\_\_ use.
131. Interim uses appear in transitional areas where older uses are yielding to new ones. Give an example of an interim use.
- \_\_\_\_\_
- \_\_\_\_\_



132. The total market value of a property in transition is based on both its interim and succeeding use. How is the total value of transitional property calculated?

---

---

---

---

---

---

133. An interim use contributes to current property value if the gross income derived from the use is less than operating expenses related to the use.

☐ True

☐ False

134. For some improved properties, the highest and best use of the land as though vacant may have changed from one use to another. This refers to which of the following concepts?

☐ Interim or transitional uses

☐ More than highest and best use

☐ Consistent use

☐ Excess and surplus land

135. Match the following by definition.

\_\_\_\_\_ Land that does not economically support the existing improvement but cannot be utilized to expand the current use or be sold separately.

1. Excess land

\_\_\_\_\_ Land that allows for the expansion of the existing use or is separately marketable and hence possesses significant utility and value; it should be clearly identified and appraised separately.

2. Surplus land

136. Of the following, which is a principle of real estate productivity?

- ☐ Anticipation
- ☐ Substitution
- ☐ Conformity
- ☐ All of the above

137. The principle of anticipation holds that an estimate of value should always be based primarily on future expectations rather than historical performance.

- ☐ True
- ☐ False

138. Match the following by definition.

\_\_\_\_\_ The value of a property component is measured in terms of its contribution to the value of the entire property, that is, how much it contributes to the total value by its presence or detracts by its absence.

1. Surplus productivity

\_\_\_\_\_ The net income that remains after costs of the other factors of production (labor, entrepreneurship, and capital) have been satisfied.

2. Balance

\_\_\_\_\_ The value of property is created and sustained when contrasting, opposing, or interacting elements are in a state of equilibrium.

3. Contribution

139. There are four factors that affect the productivity of the real estate asset. What are they?

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_
- 4. \_\_\_\_\_

140. "The act of visualizing need and taking the necessary action and risk to produce products that fulfill such needs" is the definition for which of the following factors?

- ☐ Labor
- ☐ Capital
- ☐ Land
- ☐ Entrepreneurship

141. Briefly describe the principle of increasing and decreasing returns.

---

---

---

---

---

---

142. The principle of consistent use states that a property should be valued on the basis of a single use for the entire property.

- ☐ True
- ☐ False

143. Match the following principals of real estate marketability by their definition.

- |  |                                      |
|--|--------------------------------------|
| _____ States upper limit of value tends to be set by the cost of acquiring an equally desirable substitute.  | 1. Supply and demand and competition |
| _____ Holds that maximum value accrues to a property when a reasonable degree of homogeneity is present in the neighborhood or surrounding land uses.  | 2. Change                            |
| _____ Maintains that between dissimilar properties, the value of the superior property is adversely affected by the presence of the inferior.  | 3. Regression and progression        |
| _____ Recognizes the dynamic nature of real estate markets.  | 4. Substitution                      |
| _____ States that activities or land uses external to a given property, and over which its ownership has very limited or no control or responsibility, can have negative or positive effect on the property's value. | 5. Externalities                     |
| _____ States that in a free-market economy, price is determined by the competitive interaction between market demand and supply.   | 6. Conformity                        |